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GREEN-TAYLOR WATER DISTRICT

FINANCIAL STATEMENTS

For the Years Ended December 31, 2012 and 2011

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of
Green-Taylor Water District

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Green-Taylor Water District, as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities Green-Taylor Water District, as of December 31, 2012 and 2011, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2013 on our consideration of Green-Taylor Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Green-Taylor Water District's internal control over financial reporting and compliance.

Wise, Buckner, Sprowles & Associates, PLLC

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Campbellsville, KY

March 31, 2013

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Management's Discussion and Analysis

Green-Taylor Water District is presenting the following discussion and analysis in order to provide an overall review of the utility's financial activities for the fiscal years ending December 31, 2012 and 2011. We encourage readers to consider the information presented here in conjunction with the utility's financial statements and notes to the basic financial statements in order to enhance their understanding of the utility's financial performance.

2012 HIGHLIGHTS

With all the changes in today's world, stability is getting harder to find. Although Green-Taylor Water District did not set the world on fire in 2012, we did manage to remain stable in an unsure world. We did not receive any new grant money for improvements. We did complete a State Relocation Project and much needed repairs to one of our tanks, which provided jobs for local individuals for a short time.

Our financial records don't show a lot of change from last year. Our liabilities decreased and our total net assets increased which shows some growth. Our water loss increased slightly, but with increased awareness we have become more diligent in our quest to find and repair problems.

All in all, 2012 was a stable year with enough growth to keep us striving for more as we continually provide our customers with a high quality product and service.

Required Financial Statements

The Financial Statements of the District report information utilizing the full accrual basis of accounting. The Financial Statements conform to accounting principles which are generally accepted in the United States of America. The statements of Net Position include information on the District's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to District's creditors (liabilities). The Statement of Revenues, Expense and Changes in Net Position identify the District's revenues and expenses for the years ended December 31, 2012 and 2011. This statement normally provides information on the District's operations and can be used to determine whether the District has recovered all of its actual and projected costs through user fees and other charges. The third financial statement is the Statements of Cash Flows. This statement provides information on the District's cash receipts, cash payments and changes in cash resulting from operations, investments and financing activities. From the Statements of Cash Flows, the reader can obtain information on the source and use of cash and the change in the cash and cash equivalents balance.

Financial Analysis of the District

The Statements of Net Position includes all of the utility's assets and liabilities and provides information about the nature and amount of investments in resources and the obligations to creditors. This statement provides the basis for evaluating the capital structure and assessing the liquidity and financial flexibility of the utility.

A summary of the District's Statements of Net Position is presented below.

	2012	2011
ASSETS		
Cash and Investments	\$ 1,689,643	\$ 1,629,787
Other Assets	493,574	523,197
Capital Assets	11,232,905	11,328,705
Total Assets	<u>13,416,122</u>	<u>13,481,689</u>
LIABILITIES		
Current Liabilities	228,414	217,236
Other Liabilities	159,000	151,500
Long-term Liabilities	4,217,550	4,392,799
Total Liabilities	<u>4,604,964</u>	<u>4,761,535</u>
NET POSITION		
Invested in Capital Assets, Net of Related Debt	6,943,705	6,888,005
Restricted	1,130,427	1,120,743
Unrestricted, Restated	737,026	711,406
Total Net Position	<u>\$ 8,811,158</u>	<u>\$ 8,720,154</u>

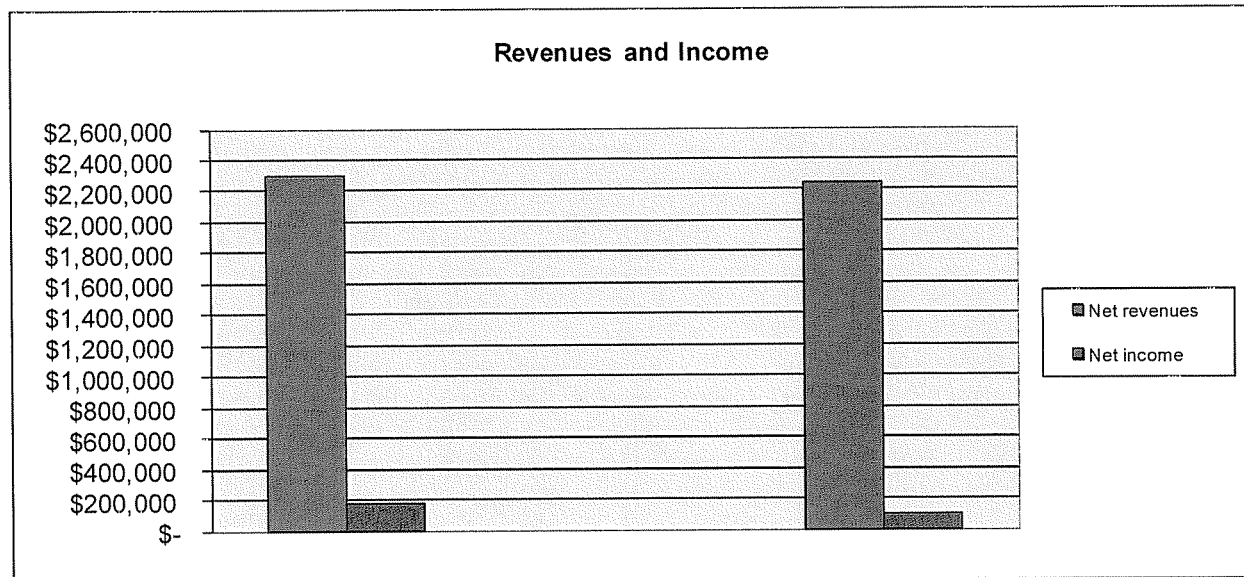
Net Position increased \$91,004 from 2011 to 2012.

2012 Operating Results

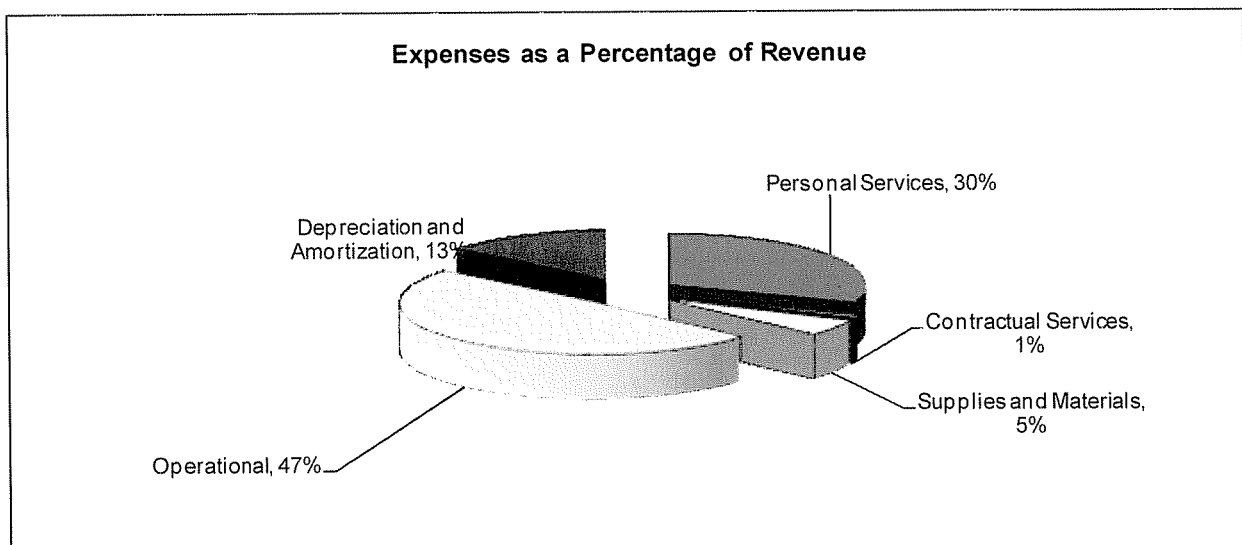
Condensed Statement of Revenues, Expenses and Changes in Net Position:

	2012	2011
Operating Revenues	\$ 2,343,604	\$ 2,396,373
Other Revenues	10,993	9,942
Total Revenues	<u>2,354,597</u>	<u>2,406,315</u>
Operating Expenses	1,866,073	1,762,829
Depreciation and Amortization	301,016	305,713
Non-operating Expenses	188,439	205,545
Total Expenses	<u>2,355,528</u>	<u>2,274,087</u>
Income/(Loss) Before Capital Contributions and Grants	(931)	132,228
Capital Contributions	<u>91,935</u>	<u>45,227</u>
Change in Net Position	91,004	177,455
Beginning Net Positions	<u>8,720,154</u>	<u>8,542,699</u>
Ending Net Position	<u>\$ 8,811,158</u>	<u>\$ 8,720,154</u>

The following chart shows the difference between net revenues and net income for the years ended December 31, 2012 and 2011.



The following pie chart shows expenses as a percentage of revenue for the year ended December 31, 2012.



Capital Assets

At December 31, 2012 and 2011 the District had \$11,232,905 and \$11,328,705 invested in capital assets, consisting primarily of plant and equipment.

Land	\$ 50,235	\$ 50,235
Construction In Progress	-	39,554
Buildings	151,733	151,733
Plant & Equipment	15,867,871	15,638,569
Total Capital Assets	16,069,839	15,880,091
Less: Accumulated Depreciation	(4,836,934)	(4,551,386)
Capital Assets, Net	<u>\$ 11,232,905</u>	<u>\$ 11,328,705</u>

Debt Outstanding

At year-end, the District had \$4,258,000 in notes outstanding versus \$4,409,500 last year. Long-term debt outstanding decreased \$151,500 from 2011 to 2012.

Financial Contact

The District's financial statements are designed to provide the District's customers, commissioners, creditors and other interested parties with a general overview of the District's financial operations and financial condition. If you have questions about the report or need additional financial information, please contact the District's Manager, Roger Moss at (270) 932-4947 or 250 Industrial Park Road, Greensburg, KY 42743.

GREEN-TAYLOR WATER DISTRICT
STATEMENT OF NET POSITION
Years Ended December 31, 2012 and 2011

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash & Cash Equivalents	\$ 559,216	\$ 509,044
Customer & Other Accounts Receivable	337,715	348,413
Inventory	57,324	81,026
Prepaid Expenses	14,654	5,686
Total Unrestricted Current Assets	968,909	944,169
Restricted Cash & Investments	1,130,427	1,120,743
Total Current Assets	2,099,336	2,064,912
NON-CURRENT ASSETS		
Debt Issuance Cost (net of accumulated amortization)	83,881	88,072
Capital Assets:		
Land & Construction in Progress	50,235	89,789
Other Capital Assets (net of accumulated depreciation)	11,182,670	11,238,916
Total Non-Current Assets	11,316,786	11,416,777
TOTAL ASSETS	13,416,122	13,481,689
LIABILITIES		
LIABILITIES		
Accounts payable - Trade	125,730	120,832
Accrued & Withheld Taxes	6,834	14,593
Accrued Payroll	1,059	-
Customer Deposits	86,991	81,810
Current Portion - Capital Lease	7,800	7,800
Non-Current Portion - Capital Lease	23,400	23,400
Liabilities Payable from Restricted Assets:		
Interest Payable	95,150	103,599
Current Portion - Revenue Bonds	159,000	151,500
Total Current Liabilities	505,964	503,535
NON-CURRENT LIABILITIES		
Long-Term Liabilities (Excluding Current Portion):		
Non-Current Portion - Revenue Bonds	4,099,000	4,258,000
Total Non-Current Liabilities	4,099,000	4,258,000
TOTAL LIABILITIES	4,604,964	4,761,535
NET POSITION		
Invested in Capital Assets, Net of Related Debt	6,943,705	6,888,005
Restricted	1,130,427	1,120,743
Unrestricted	737,026	711,406
TOTAL NET POSITION	\$ 8,811,158	\$ 8,720,154

The accompanying notes are an integral part of the financial statements.

GREEN-TAYLOR WATER DISTRICT
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Charges for Services	\$ 2,246,947	\$ 2,293,155
Service Charges and Other	<u>96,657</u>	<u>103,218</u>
TOTAL OPERATING REVENUES	2,343,604	2,396,373
OPERATING EXPENSES		
Contractual Services	23,822	29,120
Supplies & Materials	107,431	83,605
Depreciation & Amortization	301,016	305,713
Personal Service	670,110	650,613
Operational	<u>1,064,710</u>	<u>999,491</u>
TOTAL OPERATING EXPENSES	<u>2,167,089</u>	<u>2,068,542</u>
OPERATING INCOME (LOSS)	176,515	327,831
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	8,025	9,311
Interest Expenses and Fiscal Charges	(188,439)	(205,545)
Gain (Loss) on Sale of Assets	1,799	-
Other income	<u>1,169</u>	<u>631</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(177,446)</u>	<u>(195,603)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(931)	132,228
Capital Contributions	<u>91,935</u>	<u>45,227</u>
CHANGE IN NET POSITION	91,004	177,455
NET POSITION		
Beginning of Year	<u>8,720,154</u>	<u>8,542,699</u>
End of Year	<u><u>\$ 8,811,158</u></u>	<u><u>\$ 8,720,154</u></u>

The accompanying notes are an integral part of the financial statements.

GREEN-TAYLOR WATER DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received From Customers	\$ 2,359,606	\$ 2,388,554
Cash Payments to Employees for Services	(669,051)	(650,613)
Cash Payments to Suppliers for Goods & Services	(1,191,064)	(1,084,096)
Customer Deposits Received	20,920	18,950
Customer Deposits Returned	(15,800)	(14,010)
	<u>504,611</u>	<u>658,785</u>
Net Cash Provided (Used) By Operating Activities	504,611	658,785
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Paid on Bonds	(151,500)	(145,500)
Interest Paid on Debt	(196,888)	(202,684)
Acquisition of Capital Assets and Construction in Progress	(199,295)	(57,094)
Payments on Capital Lease	-	(7,800)
Contributed Capital	91,935	45,227
Sale of Capital Assets	1,799	-
	<u>(453,949)</u>	<u>(367,851)</u>
Net Cash Provided (Used) By Financing Activities	(453,949)	(367,851)
CASH FLOWS FROM INVESTING ACTIVITIES		
Other Income	1,169	-
Interest	8,025	9,311
	<u>9,194</u>	<u>9,311</u>
Net Cash Provided (Used) From Investing Activities	9,194	9,311
Net Increase (Decrease) In Cash and Cash Equivalents	59,856	300,245
Cash and Cash Equivalents - Beginning of Year	1,629,787	1,329,542
Cash and Cash Equivalents - End of Year	<u>\$ 1,689,643</u>	<u>\$ 1,629,787</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Cash and Cash Equivalents	\$ 559,216	\$ 509,044
Restricted Cash and Cash Equivalents	1,130,427	1,120,743
	<u>\$ 1,689,643</u>	<u>\$ 1,629,787</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 1,689,643</u>	<u>\$ 1,629,787</u>

The accompanying notes are an integral part of the financial statements.

GREEN-TAYLOR WATER DISTRICT
STATEMENTS OF CASH FLOWS (CONTINUED)
Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED FOR OPERATING ACTIVITIES		
Operating Income/(Loss)	\$ 176,515	\$ 327,831
ADJUSTMENT TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) FOR OPERATING ACTIVITIES		
Depreciation and Amortization	301,016	305,713
Change in Assets & Liabilities		
(Increase) Decrease in Accounts Receivable	10,698	(51,112)
(Increase) Decrease in Inventory	23,701	(24,211)
(Increase) Decrease in Prepaid Expenses	(8,968)	(756)
Increase (Decrease) in Accounts Payable	4,898	(187,713)
Increase (Decrease) in Other Deferred Liabilities	(671)	671
Increase (Decrease) in Accrued and Withheld Taxes	(7,759)	9,270
Increase (Decrease) in Customer Deposits	5,181	6,471
Total Reconciling Adjustments	<u>328,096</u>	<u>58,333</u>
Net Cash Provided (Used) By Operating Activities	<u>\$ 504,611</u>	<u>\$ 386,164</u>

The accompanying notes are an integral part of the financial statements.

GREEN-TAYLOR WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2012 and 2011

NOTE 1: DESCRIPTION OF ENTITY

Reporting Entity - The Green-Taylor Water District Commissioners have financial accountability and control over all activities related to the water district. The district's primary source of income is derived from water sales. The district also receives funding from federal government sources and must comply with the requirements of those funding source entities.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The accounts of Green-Taylor Water District are accounted for within a single proprietary (enterprise) fund. The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The Generally Accepted Accounting Principles applicable are those similar to businesses in the private sector. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of net revenues.

During the year ended December 31, 2012, the District adopted the provisions of GASB Statement 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* and GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

The proprietary fund financial statements are presented on the accrual basis of accounting. Operating income reported by the District includes revenues and expenses related to the continuing operation of water services for its customers. Operating revenues are charges to customers for services. Operating expenses are costs of providing the services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Non-exchange revenues, including intergovernmental revenues and grants, are reported when all eligibility have been met. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

Cash Equivalents and Investments - The District considers all highly liquid investments with a remaining maturity of 90 days or less when purchased to be cash equivalents. Investments are presented at fair value. Short-term investments generally mature or are otherwise available for withdrawal in less than one year.

Accounts Receivable - Receivables include amounts due from customers for water services. These receivables are due at the time the services are billed. Billing is completed monthly and accounts are considered past due on the twenty first day after the end of each billing period. Accounts receivable are presented net of uncollectable accounts. The allowance amount is estimated using a percentage of accounts past due more than 30 days. At December 31, 2012 and 2011, the allowance for doubtful accounts was \$190,497 and \$187,618.

Inventory - Inventories are generally used for construction, operation and maintenance work rather than for resale. Materials and supplies inventory consists principally of spare parts that are recorded when purchased and expensed when used. Inventory is stated at the lower of cost or market value. Cost is generally determined on a first-in, first-out basis.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

GREEN-TAYLOR WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2012 and 2011

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Capital Assets and Related Depreciation – The utility plant and equipment are recorded at cost. Depreciation is computed using the straight-line method over the plant's estimated useful life of 40 years. The office building is depreciated on a straight-line basis over an estimated useful life of 50 years. Machinery, office equipment and service vehicles are depreciated on a straight-line basis over their estimated useful life ranging from 5 to 10 years.

Long-Term Obligations

Long-term debt and other obligations are reported as district liabilities. Bond Issue Costs are being amortized and charged to expense over the term of the outstanding revenue bonds by use of the straight-line method.

Revenues and Expenses

Revenues and expenses are distinguished between operating and non-operating items. Operating revenues generally result from providing services and producing, and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Charges for Services

District billings are rendered and recorded monthly based on metered usage.

Capital Contributions

Cash and capital assets are contributed to the District by external parties. The value of property contributed to the District is reported as revenue on the statement of revenues, expenses and changes in net assets.

Net Position - Net position comprises the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net position is classified in the following three components:

Invested in capital assets, net of related debt—This components of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted—This component of net assets consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets—This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

GREEN-TAYLOR WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2012 and 2011

NOTE 3: CASH AND CASH EQUIVALENTS

A comparison of the District's cash and investments is shown below:

	<u>12/31/12</u>	<u>12/31/11</u>
Unrestricted:		
Cash	\$ 559,216	\$ 509,044
Total Unrestricted	<u>559,216</u>	<u>509,044</u>
Restricted:		
Cash	486,225	478,997
U. S. Treasury	<u>144,202</u>	<u>141,745</u>
	<u>630,427</u>	<u>620,743</u>
 Certificates of Deposit and Savings	 <u>500,000</u>	 <u>500,000</u>
Total Restricted	<u>1,130,427</u>	<u>1,120,743</u>
 Total Cash and Cash Equivalents	 <u><u>\$ 1,689,643</u></u>	 <u><u>\$ 1,629,786</u></u>

There are three categories of credit risk that apply to the government's bank balance:

1. Insured or collateralized with securities held by the government or by the government's agent in the government's name.
2. Collateralized with securities held by the pledging financial institution's trust department or the government's agent in the government's name.
3. Uncollateralized.

	<u>BANK AMOUNT</u>	
	<u>2012</u>	<u>2011</u>
Insured (FDIC) or Collateral Held by Pledging Bank's Securities in District's name	\$ 1,689,643	\$ 1,629,786
Uninsured or Uncollateralized	<u>-</u>	<u>-</u>
Total (Memorandum Only)	<u><u>\$ 1,689,643</u></u>	<u><u>\$ 1,629,786</u></u>

The carrying amounts of the District's deposits at December 31, 2012 and 2011 were \$1,689,643 and \$1,629,786 respectively and the bank balances were \$1,759,976 and \$1,657,154 respectively. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. Of the bank balances for each year, all was insured by federal depository insurance or collateralized by the pledging financial institutions.

GREEN-TAYLOR WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2012 and 2011

NOTE 4: CAPITAL ASSETS

A summary of changes in property, plant and equipment are as follows:

	Balance 12/31/11	Additions	Deletions	Balance 12/31/12
Capital Assets Not Being Depreciated:				
Land and Land Rights	\$ 50,235	\$ -	\$ -	\$ 50,235
Construction in Progress	39,554	52,208	91,762	-
Total Capital Assets Not Being Depreciated	89,789	52,208	91,762	50,235
Capital Assets Being Depreciated:				
Buildings	151,733	-	-	151,733
Utility Plant	15,297,759	222,924	15,468	15,505,215
Service Equipment	285,734	21,846	-	307,580
Office Furniture and Equipment	55,076	-	-	55,076
Total Capital Assets Being Depreciated	\$ 15,790,302	\$ 244,770	\$ 15,468	\$ 16,019,604
	Balance 12/31/11	Additions	Deletions	Balance 12/31/12
Accumulated Depreciation				
Buildings	\$ 65,833	\$ 4,435	\$ -	\$ 70,268
Utility Plant	4,193,314	293,763	-	4,487,077
Service Equipment	247,945	570	15,468	233,047
Office Furniture and Equipment	44,294	2,248	-	46,542
Total Accumulated Depreciation	4,551,386	301,016	15,468	4,836,934
Total Capital Assets Being Depreciated, Net	11,238,916	(56,246)	-	11,182,670
Total Capital Assets, Net	\$ 11,328,705	\$ (4,038)	\$ 91,762	\$ 11,232,905

GREEN-TAYLOR WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2012 and 2011

NOTE 5: LONG-TERM OBLIGATIONS

Revenue Bonds payable with principal payments due annually on January 1 and interest payments due semi-annually on January 1, and July 1, are detailed as follows:

	2012	2011
1979 Waterworks Revenue Bond, original amount \$663,000 maturing January 1, 2019 with a rate of 5%	\$ 237,000	\$ 261,000
1994 Waterworks Revenue Bond, original amount \$466,000 maturing January 1, 2034, with a rate of 4.50%, principal payments commencing January 1, 1997	361,000	372,000
1995 Waterworks Revenue Bond, original amount \$675,000 maturing January 1, 2035, with a rate of 4.875%, principal payments commencing January 1, 1998	544,000	556,000
2001 Waterworks Revenue Bond, original amount \$252,000 maturing January 1, 2041, with a rate of 4.75%, principal payments commencing January 1, 2004	225,500	229,000
2004 Series A Waterworks Revenue Bond, original amount \$673,000 maturing January 1, 2044, with a rate of 4.75%, principal payments commencing January 1, 2007	619,000	628,000
2004 Series B Waterworks Revenue Bond, original amount \$297,000 maturing January 1, 2044, with a rate of 4.375%, principal payments commencing January 1, 2007	271,500	275,500
2004 Refinancing of 1987, 1989, 1990, and 1993 Waterworks Revenue Bonds, original amount \$2,610,000 maturing January 1, 2027, with a variable rate of 2.28%-4.405%, principal payments commencing January 1, 2005	2,000,000	2,088,000
Total Debt	4,258,000	4,409,500
Payments Due in Less Than One	159,000	151,500
Total Long-Term Obligations	<u>\$ 4,099,000</u>	<u>\$ 4,258,000</u>

The annual requirements to amortize all bonded debt outstanding as of December 31, 2012 are as follows:

	PRINCIPAL	INTEREST	TOTAL
2013	\$ 159,000	\$ 188,673	\$ 347,673
2014	169,500	181,541	351,041
2015	175,500	174,057	349,557
2016	189,500	166,113	355,613
2017	196,500	157,752	354,252
2018-2022	1,024,000	655,385	1,679,385
2023-2027	1,167,500	414,915	1,582,415
2028-2032	448,500	233,937	682,437
2033-2037	397,500	127,038	524,538
2038-2042	280,500	58,279	338,779
2043-2046	50,000	6,958	56,958
	<u>\$ 4,258,000</u>	<u>\$ 2,364,648</u>	<u>\$ 6,622,648</u>

GREEN-TAYLOR WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2012 and 2011

NOTE 6: CAPITAL LEASE

The District has entered into an agreement to lease equipment. This agreement is, in substance, a purchase and is reported as a capital lease obligation. The following schedule presents future minimum lease payments as of December 31, 2012.

<u>Year Ending December 31,</u>	
2013	\$ 7,800
2014	7,800
2015	7,800
2016	7,800
	<u>\$ 31,200</u>

NOTE 7: RISK MANAGEMENT

The Green-Taylor Water District is exposed to various risks and losses related to torts; theft of, damage to, and destruction of assets; errors and omissions and natural disasters. The District purchases commercial insurance to cover these instances.

The District did not have settled claims that exceeded the District's commercial insurance coverage in any of the past three years.

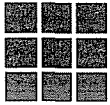
NOTE 8: PENSION PLAN

Substantially all employees are covered under the County Employee's Retirement System (CERS). Funding for the Plan is provided through payroll withholdings of 5% and a District contribution for the years ended December 31, 2012, 2011, and 2010 of 19.55%, 18.96%, and 16.93% for Non Hazardous Employee's. The contribution rate is actuarially determined. The District's contribution requirement for CERS for the years ended June 30, 2012, 2011, and 2010 was \$81,063, \$66,986, and \$59,334 from the District and \$21,075, \$18,562, and \$17,986 from employees. The total covered payroll for CERS during the years ended June 30, 2012, 2011, and 2010 was \$421,502, \$401,798, and \$389,964.

The County Employee's Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601.

NOTE 9: SUBSEQUENT EVENT

The District's management has evaluated subsequent events through March 31, 2013.



WISE, BUCKNER, SPROWLES
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CERTIFIED PUBLIC ACCOUNTANTS

GREGORY S. WISE. CPA
SHIRLEY M. BUCKNER. CPA
JEFFREY G. SPROWLES. CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of
Green-Taylor Water District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Green-Taylor Water District, as of and for the year ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Green-Taylor Water District's basic financial statements, and have issued our report thereon dated March 31, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Green-Taylor Water District's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Green-Taylor Water District's internal control. Accordingly, we do not express an opinion of the effectiveness of Green-Taylor Water District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies. (2012-1).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Green-Taylor Water District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wise, Buckner, Sprowles & Associates, PLLC

Wise, Buckner, Sprowles & Associates, PLLC
Campbellsville, KY

March 31, 2013

GREEN-TAYLOR WATER DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2012

Internal Control Over Financial Reporting

2012-1 - Preparation and Presentation of Financial Statements

Criteria:	The District's management is responsible for establishing and maintaining internal controls over the application of transactions and the preparation and presentation of financial statements
Condition:	The District does not have sufficient controls in selecting and applying accounting principles to prepare and present financial statements in accordance with generally accepted accounting principles.
Cause:	The District has financial personnel with limited financial reporting experience.
Effect:	The design of the internal controls over financial reporting limits the ability of the District to provide accurate financial information.
Recommendation:	We recommend District management and financial personnel continue to increase their awareness and knowledge of all procedures and processes involved in preparing financial statements.
Management's Response:	It is not economically feasible for the District to invest resources for a member of the financial staff to obtain the necessary training to prepare the financial statements.